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MECHANISMS FOR FACILITATING TRADE BETWEEN AFRICAN COUNTRIES AND CHINA

(A Study of Selected African Countries)

CHAPTER I

INTRODUCTION

1. The People's Republic of China (PRC) is the world's biggest single market, ir terms of population which as of 1987, stood at over 1.08 billion, making up 20% of the entire world population. Although Africa is roughly four times the geographical size of the PRC, its population is less than 60% that of China. Both the PRC and Africa are together considered as developing country regions, and therefore a world apart from North America, Europe, Japan and the Newly Industrialised countries (NICs) East Asia and Latin America. Another common characteristic of both the PRC and Africa is that they have some of the world's lowest per capita incomes and relatively poorer access to make quality-of-life amenities otherwise taken for granted in the more developed world such as shelter, medicare, education, food and clothing. Neither the Chinese Yuan nor any of the currencies of African countries are freely convertible on the international monetary market. Both the PRC and Africa are acutely short of foreign exchange required to import an assortment of production inputs and consumer goods for accelerating their socio-economic growth and development.

2. However, in many respects, the PRC can safely be said to be in a very different category from much of Africa. For instance, China is a nuclear and space-age power; has a quite well-developed heavy, medium and light industrial base and fairly advanced agriculture. Chinese technical expertise and assistance (agricultural, industrial and military) is found in many countries of the developing world, especially in Africa.

3. Needless to say, relations between African countries and the People's Republic of China (PRC) date back to before the former attained their political independence in the 1960s and 1970s. However, these relations were essentially in the form of material, moral and diplomatic assistance extended by the PRC to some of the independence movements in each of the African countries. Conventional Afro-Chinese economic and commercial relations are, therefore, essentially a post-African independence phenomenon strongly influenced by the political ties evolved over the years. Characteristically, for most African countries, the immediate post-independence years were marked by some very significant levels of trade, especially imports of Chinese goods and the export of various raw materials to the later. In recent years, however, the volume of Afro-Chinese trade has not quite kept pace with either the common expressions of mutual political goodwill or the possibilities provided by the potentials of the two huge regions.

4. This brief list of similarities and differences, among others, provides the background for the examination of mechanisms for facilitating trade between Africa and the PRC. The analysis, conclusions and recommendations of the report are largely based on data gathered from only a few countries namely, Zambia, Tanzania, Uganda and Ethiopia from which secondary as well as primary data were collected from government officials, business houses, trade promotion agencies and Chinese embassy officials resident in the five countries.

5. The limitations of any generalizations should, therefore, be borne in mind. While a five-year period (1983-88) is considered the significance of earlier times, especially, the 1970s is not ignored. The emphasis is on the current trends and the future.

CHAPTER II

RECENT DEVELOPMENTS AND CURRENT TRENDS IN AFRO-CHINESE TRADE

A. Overview

6. On the whole, Afro-Chinese trade relations were relatively much stronger during the 1960s and 1970s than during the 1980s. The volume of trade between African countries and China increased significantly through the 70s due to several factors. For instance because of the (a) mutual desire of both the African countries and China to visibly demonstrate the strength of their close relations forged during the pre-independence days; (b) initiation of various development and industrial projects undertaken by the Chinese in the newly independent African countries involving the importation of large amounts of both machinery and sundry consumer goods; and (c) relatively healthier foreign exchange and balance of payments position of the African economies due to the generally favourable terms of trade then prevailing for the various commodities Africa was exporting.

7. On the one hand, Africa had several agricultural commodities that China needed as raw materials to fill thegaps in its domestic production in exchange for variety of light consumer manufactures that China offered rather cheaply in comparison with those Africa obtained from other sources. Chinese goods were at the same time serviceable, especially for the needs of the majority of the low income African urban and rural populations. Africa's main export items included coffee, tea, cotton, cashewnuts, sisal and sisal fibre and hides and skins. Chinese exports to Africa included textiles, bicycles, cutlery and kitchenware, hoes, stationery, chinaware, stoves, toys, hardware, etc.

8. The 1960s and 1970s also saw a very significant involvement by the Chinese in the industrial and economic development efforts of several African countries. In Tanzania and Zambia, for instance, the Chinese accomplished what still remains as the largest Afro-Chinese venture to date, the Tanzania-Zambia Railway line (TAZARA). In addition, these years also witnessed fairly close relationships in the cultural and military fields resulting in the construction of national sports stadium by the Chinese and the importation of sundry Chinese-made weapons and other war material by a number of African countries. Over and above, several African Heads of State and Government made state visits to China during the 1960s and 1970s. These visits were designed not only to demonstrate the ties of friendship and solidarity but also to develop further opportunities for bilateral trade. In general, therefore, the combination of favourable economic conditions and high profile political initiatives both from Africa and China ensured a relatively buoyant trade relationship between Africa and China.

9. During the 1980s the value of trade between China and its African trading partners declined quite remarkably. From a high of US$760 million of exports in 1982, China exported only US$421 million to Africa in 1986. Its imports of African goods declined from a high of US$311 million in 1983 to only US$254 million in 1986. Africa had a negative balance of trade position in favoura of China in excess of US$320 million in 1986. In other words, Africa imported twice as much as it exported to China in that year. The main reasons for the drastic decline and unfavourable trade situation relate largely to: (a) China's increasing self-sufficiency in the production of agricultural commodities which Africa traditionally used to supply in the 1960s and 1970s, and (b) the deteriorating foreign exchange position of most African countries since the beginning of the 1980s.

10. On the basis of data provided in Tables I and II it will be noted that to-date, China trades with more than 46 African countries. Africa accounted on average for only 2.4% of China's export trade and 1.1% of its import trade during the 1980-1986 period. Zaire, Egypt and Libya constituted China's main African trading partners as of May 1988, all three supplying China with basic commodities (minerals, oil and cotton).

11. Most African countries have gone through the 1980s with acute balance of payments problems resulting from generally poor economic performance. This in turn has been caused by a variety of factors including a general world economic recession and attendant collapse in basic commodity prices; non-competitive import-dependent processing/manufacturing industries; low capacity utilization; protectionism from the developed market economies; sometimes inadequately conceived policies and programmes, and a host of natural disasters and other socio-political problems. Together they have seriously undermined Africa's external purchasing power and denied it the means for cost-effective investment in value-added processing.

12. Schedule I shows the main commodities and products the African countries could possibly offer to China. Most are primary commodities which China's agricultural revolution of the last two decades has been able to produce relatively more cost-effectively. This means that the opportunities for exporting Africa's produce in its unprocessed or semi-processed form have progressively diminished. The significant exceptions have been exports of Zimbabwean tobacco and Egyptian cotton.

13. This predicament is vividly demonstrated by each of the countries included in the sample study which follows.

B. Country Profiles

(a) Ethiopia

14. The volume of trade between Ethiopia and China was generally higher during the 1970s than in the decade after as can be seen from the schedule below. The figures indicate that in the last three years of the 70s, the total volume of Ethio-China trade averaged some Et Birr 22 million while in the 80s this went down to an average of Et Birr 10 million, a general decline of more than fifty per cent. The figures also show that throughout the ten-year period, Ethiopia consistently imported more from China than it exported thereto. Ethiopia's main exports to China consisted of crude vegetable materials, animal and vegetable oils and coffee while from China, Ethiopia imported textiles, metal, agricultural implements, stationeries, soups, tea, and other low-value consumer goods and building materials in addition to military supplies.

Table III

ETHIO-CHINESE TRADE (1977-1987)

Value in '000 ET.BIRR

YEAR	EXPORTS	IMPRTS	BALANCE OF TRADE
1977	7,735	19,566	-11,831
1978	5,866	21,613	-15,747
1979	-	13,355	-13,355
1980	114	20,742	-20,628
1981	-	17,286	-17,286
1982	1,827	7,359	- 5,532
1983	867	8,775	- 7,908
1984	3,036	8,213	- 6,177
1985	2,152	8,118	- 5,966
1986	3	10,102	-10,099
1987	1,218	6,188	- 4,970

SOURCE: Ministry of Foreign Trade, Addis Ababa

15. The commodity structure of items traded between Ethiopia and China reveals the classical pattern, with the former exporting basic commodities and importing processed and/or manufactured items from the latter. Given the persistent tendency of the commodity prices to deteriorate relative to manufactured goods, it is little wonder that the balance of trade was against Ethiopia, given the fact that prices of manufactured goods always rose each year while those of basic commodities often tend to flactuate downwards.

(b) Tanzania

16. Tanzania and China have had trading relationships since the former became independent in 1961. Bilateral trade peaked during the construction by the Chiense of the Tanzania-Zambia Railway (TAZARA) during the 1967-72 period. Under the TAZARA project financing agreement, both Tanzania and Zambia had to import various Chinese goods which were then sold locally to pay for the local costs associated with the railway project in the two countries. This arrangement was instrumental in popularizing Chinese consumer goods in these two African countries. By 1975, Tanzania-China trade averaged between US$50-70 million per human. On the other hand and, following the completion of TAZARA, there was a marked decline in the value of trade between Tanzania and China. The subsequent period also saw the onset of a deteriorating economic situation as Tanzania's main export product, sisal, suffered drastically on world markets. The war precipitated during the era of former President Idi Amin of Uganda in 1979 saw Tanzania enter the 1980s with a seriously depressed economy, unable to sustain its former levels of both imports and exports. At the same time, China's agricultural output had consistently risen due to the initiatives of the Green Revolution.

17. Against these trends, data in Table III shows the declining trend in Sino-Tanzania trade during the 1980s with Tanzania's exports to China plummeting from a high of US$21 million in 1982 to only US$1.7 million in 1987. The major reason for this decline was Tanzania's acute economic situation which saw generally depressed agricultrual and industrial sectoral performance. The main items of trade, shown in the listing below once again indicate the skewed nature of the flow of value-added transactions. Basic commodities with low value-added comprise Tanzania's exports in return for which she imports manufactured goods from China. Tanzania's major exports to China comprised the following: cotton; cashewnut kernel; sisal and sisal fibre; pyrethrum; mimosa extract; and leather. In return, Tanzania imported from China the following items: railway construction materials and spare parts; spare parts for textile mills; textile chemicals; pharmaceuticals; domestic appliances and utensils; consumer goods; textile piece-goods and ready-made garmets; bicycles, bicycle tubes and rubber solutions; sewing machines.

(c) Uganda

18. Uganda too has had long-standing economic relations with China, dating back to pre-independence days. In 1965, a Ugandan economic delegation visited Peking (Beijing) to discuss closer economic co-operation both in trade and industrial development, the volueme of trade between the two countries was generally high during the sixties and early seventies, averaging US$10 million per annum. Uganda enjoyed a favourable balance of trade with China up till the later seventies when the former's main export commodities, coffee and cotton, were adversely affected by the social-political upheavals in the country. Uganda's demand for the generally cheap and popular Chinese products continued, however, resulting in China taking over the favourable balance of trade position.

19. However, the pattern of trade in the eighties has been an unstable one with respect to volume and value. Uganda's exports to China virtually dried out after the 1977/78 coffee seasons due to the severe disruption of the agricultural sector as Amin's rule drew to an end. Uganda, however, continued to import some Chinese goods. According to the Ugandan Ministry of Commerce, 13 import licences worth US$4.6 million were issued for Chinese goods in 1983. Although the number of licences rose to 64 in 1964, the value fell drastically to only US$1.10 million. In 1985, 74 licences worth US$24.66 million were approved and 68 licences worth US$27.93 million in 1986. Imports in 1987 virtually dried out when 21 licences worth US$0.61 million and 22 licences worth US$0.10 million during the first half of 1988 were issued. Sino-Ugandan trade has thus been at its lowest level ever during the latter part of the eighties. The main reason for this drastic decline is the acute foreign exchange problem that has faced Uganda as a result of the disruption of the productive sectors during the last 15 years of socio-political strife in the country. The list below shows that the majority consist of light consumer manufactures exchanged for Ugandan coffee and cotton.

20. Uganda's main imports from China have been as follows: bicycles, bicycle spares, tyres and tubes; hoes; textiles; safety matches; scholastic materials; lanterns and flash lights; chinaware and enamelware; footwear, boots and shoepolish; stoves, charcoal and electric flat irons; door locks and padlocks; sewing machines; polythene and jute bags; clocks, playing cards, razor blades and safety pins

(d) Zambia

21. Zambia-China trade relations date back to the early sixties although it was during the late sixties and early seventies that trade between the two countries was at its highest. The period 1967-1972 saw large amounts of Chinese goods imported into Zambia as part of the financing arrangement reached with China for the TAZARA Railway project. The other TAZARA beneficiary, Tanzania, was also obliged to import Chinese goods which were sold locally to pay for the local costs associated with the railway construction.

22. Besides the contractual trade occasioned by the TAZARA arrangement, Zambia was also able to import large amounts of Chinese goods due to the healthy foreign exchange position then bestowed by the country's increased copper exports whose prices on the world market were still lucrative. The subsequent fall in world copper prices, however, set off a deteriorating economic situation which Zambia is still grappling with. It resulted in diminishing imports of Chinese goods from US$1t million in 1980 to only US$ 1.0 million in 1986 and US$0.69 million in 1988. Exports, especially copper remained relatively high up to 1985 (see Table IV), declining thereafter to occasional shipments amounting to only US$1.0 million in 1987. Zambia's main imports from China consisted of textiles; hardware; pharmaceuticals, educational materials; soaps/detergents; industrial chemicals; locomotive parts and accessories; kitchenware/chinaware; agricultural machinery and implements; lamps and light fittings; construction equipment; and sundry consumer items.

(e) Zimbabwe

23. Before the attainment of independence, Zimbabwe's nationalist movement had close political relations with China. However, Zimbabwe and China have had trade relations since 1981, soon after the former attained independence in 1980. Zimbabwe-China relations though have continued to be stronger at government-to-government level than at the private business community level, where the Zimbabweans have largely maintained their traditional partners, especially in South Africa.

24. Zimbabwe's main exports to China have largely comprised tobacco and some minerals while imports from China have consisted of textiles/fibres, chemical products, paper and pulp, peppermint (for cigarette manufacture), raw rubber and hardware tools. Once again, the value of trade, especially imports by Zimbabwe, is constrained by the latter's adverse foreign exchange position. Table IV indicates, that Zimbabwe-China trade has tended to be stable and in favour of Zimbabwe due to the large amounts of Zimbabwe's tobacco exported to China.

CAPTER III

INSTITUTIONAL FRAMEWORK AND LEGAL INSTRUMENTS FOR TRADE FACILITATION

A. Overview

25. In all cases studied of Afro-Chinese trade, the basic institutional and legal framework for promoting and facilitating bilateral trade originates from government-to-government contacts and negotiations leading to the conclusion of a Trade Agreement and the establishment of a Joint Permanent Commission on Co-operation. Ethiopia, Tanzania, Zambia and Zimbabwe have all entered and signed such Agreements with China. Information has been obtained that Uganda was negotiating one at the time of writing this study. The Trade Agreements charateristically evolve out of the strong political relations that socialist China cultivated with the pre-independence movements that took over the governance of the emerging African states.

26. Its also characteristic of these Trade Agreements to provide for most-favoured-nation treatment between the contracting parties in respect of customs, other duties and taxes applicable to the importation, exportation or transit of commodities, customs formalities and issues of import and export licenses (see appendix). However the provisions do not apply to any advantages that either party might grant to neighbouring countries designed to facilitate frontier traffic, or those pertaining to a customs union, free trade area or trade agreement entered into by either party. In practice, therefore, the basic facility of the Trade Agreement allow for the exchange of products without providing for any special advantages.

B. Provisions of the Trade Agreements

27. Most of the trade agreements signed between China on the one hand and its African partners on the other mark the technical thing standard UNCTAD/GATT guidelines in that they more provide for bilateral most-favoured treatment arrangements. The trade agreements are therefore established as statutory instruments under the relevant section of even country's Customs and Excise Act with Presidential assent before they can take effect.

28. The major operational objectives of the trade agreements relate to enhancing trade facilitation and trade promotion through appropriate administration of customs duty and taxes, customs formalities and the issuance of import and export licences governing the importation, exportation or transit of commodities. For instance, CAP 77, Articles 2 and 3 of Statutory Instrument 772 of 1981 by the Government of Zimbabwe states: "The contracting parties shall within the provisions of the laws and regulations of their respective countries, provide the widest facilities for the exchange of their products with a view to promoting reciprocal trade between the two countries. The provisions of this Article shall not, however, apply to: advantages which one of the Contracting Paries has granted or may grant to neighbouring countries in order to facilitate frontier trafic...." Since no special advantages are envisaged by the contracting parties, the practical effect of such a trade agreement appears more to consolidate the political goodwill, establish a recognised legal framework and hence re-assure the trading parties about the existance of an institutional framework for identifying trade opportunities in each other's country rather than specifically, as a promotional instrument. It is important for African exporters (organisations and individual entrepreneurs) to understand fully that the provisions of granting most favoured nation treatment do not in any way detract from the emphasis on the commercial nature of the subsequent negotiations and business transactions which trade agreements seek to promote.

29. Institutionally, the power to conduct trade under the provisions of the trade agreement is vested in the Chinese National Foreign Trade Corporations in terms of PRC structure and either specified or general traders with regard to the various African countries. These formal arrangements have tended to restrict the extent of business contacts to be largely within the confarence of official and public sectors. This situation has persisted up to now, despite the economic reforms that have occured in the PRC over the last 10 years. Business negotiations still tend to be conducted along official, governmental bureaucratic procedures. In a majority of cases, marked by involvement of some government minister or other high official.

30. The trade agreements also provide for a Joint Committee which is charged with the effective implementation of the provisions of the Agreement. The Joint Committees meet alternately in Beijing and the respective capital of the African trading partner. It is these Joint Committees or Commissions on Co-operation that constitute the formal mechanism for promoting mutual co-operation. A major weakness of these committees or Commissions in some countries is their limited membership, often constituting of government officials rather than business executives and less those from the private sector especially representatives of the Chambers of Commerce and industry. More often then not also, the African delegates to the Joint Commission meetings are ill-prepared for the tough negotiations that the Chinese have become increasingly expert at. Somehow there still appears to be a lingering feeling that because the Chinese are "Africa's friends", they would invaiably be sympathetic and generous in any trade negotiations with their less fortunate African comrades. Practice shows this is not always true.

C. China's Institutional Framework

31. The bulk of Afro-Chinese trade is handled by State trading organisations. This is a direct result of the origin of modern Afro-Chinese commercial contacts which have been forged largely at a government-to-government level. Following any agreement reached at political level, parastatal and/or state trading organisations are either directed or requested to implement the provisions of the agreement. As earlier stated above, prior to economic reforms all foreign trade in China's exclusively handled by State trading organisations which still continue to account for the largest share of external trade transactions. There are 12 major such organisations, each specializing in specified products or commodities:

(a) China National Medicines and Health Products Import and Export Corporation;
(b) China National Light Industrial Products Imports and Exports Corporation;
(c) China National Textiles Import and Export Corporation;
(d) China National Machinery Import and Export Corporation;
(e) China National Cereals, Oils and Foodstuffs Import and Export Corporation;
(f) China Native Produce and Animal by-products Import and Export Corporation;
(g) China National Instruments Import and Export Corporation;
(h) China National Metals and Minerals Import and Export Corporation;
(i) China National Machinery and Equipment Import and Export Corporation;
(j) China National Chemicals Import and Export Corporation;
(k) China National Arts and Crafts Import and Export Corporation;
(l) China National Technical Import Corporation.

32. It is important to stress the fact that each of these corporations has a provincial network of production and marketing enterprises within the PRC. Prior to the recent economic reforms, the state trading organisations were largely operating on directives handed down directly by the central government in Beijing. The reforms have meant that each organisation has to be more responsible for its operations and efficiency. This new-found flexibility and accountability would seem to present both opportunities and threats to Africa. Opportunities exist if the Chinese were to find African exports to be of good quality and at competitive prices and terms, but as threats if the reverse were true in

that not being under orders to buy from Africa, the Chinese corporations would be free to buy from any other source that offered better quality and terms.

33. There are state trading organisations in each of the five African countries studied. Zimbabwe created in 1987 the Zimbabwe State Trading Corporation. Zambia has the National Import and Export Corporation. Available evidence so far shows that NIEC has only been engaged in import business and not exporting. Tanzania has the Board of Internal Trade which handles various import goods while Uganda has Foods and Beverages Ltd., General Merchandise and Uganda Hardware among others. Ethiopia has the Ethiopia Import and Export Corporation (ETIMEX) and like NIEC in Zambia it too only imports) rather than exports.

34. Over the years, there has been an exchange of trade missions visiting China from Africa and vice versa. Each of the countries surveyed received at least two Chinese delegations a year and in turn received invitations to visit China, especially during one of the two major annual Chinese trade fairs that are held in Guangzhou and Canton. So far one of the African countries surveyed has participated in any Chinese trade fair, although the Chinese have occasionally participated in some international trade fairs of their African trading partners. It is not easy to establish exactly why these African countries have yet to participate in the Chinese trade fairs. Distance and the cost of mounting their fairs in China is only part of the problem on the African side. Perhaps also because what Africa has to offer is catered for by the various specialized Chinese trading corporations.

D. China's Institutional Reforms

35. China instituted reforms of the management of its foreign trade system aimed at transforming the country into an export-oriented economy since 1978. Some of the major features of this reform include:

(a) The establishment of Special Economic Zones and economic development regions and the creating of regional environments for the development of an export-oriented economy. Thus far, 14 Coastal cities open to foreign investment and trade, have emerged. The zone spans the Pearl River Delta, the Yangtze River Delta, a triangular region in Southern Fujian Province and the Shandong and Liaodong peninsulas.

(b) Encouraging foreign investment in China to set up joint ventures, co-operative enterprises and solely foreign-invested enterprises.

(c) Delegating part of the power for import and export trade to localities and enterprises; expanding trade channels; promoting the integration of production and marketing; adopting flexible methods in trade and implementing policies that help promote foreign trade.

36. The basic objective of the reforms was to modernise and revolutionalize management attitudes and practices. However, up to 1988, there were still many problems arising from the inertia of tradition - concentrated management, inability of production enterprises to directly conduct business with the rest of the world and continued insistence on mandatory plans and, financial constraints in China's foreign trade. It was in order to redress some of the problems that the Chinese government introduced further measures in 1988 which include:

(a) delegating more powers for import and export trade to provincial and municipal foreign trade corporations. Hence, localities have the power to approve the establishment of foreign trade firms and to delegate powers to production enterprises to engage in foreign trade;

(b) reducing the scope of mandatory plans in foreign trade to allow for more freedom to enterprises;

(c) allowing enterprises to make their own decisions in using the part of foreign exchange they retain from exports earnings, especially in importing raw or semfinished materials, parts and components for export processing;

(d) opening the Chinese market for the flow of foreign exchange and allowing importers and exporters to transfer their foreign exchange at negotiable prices, and

(e) granting all-round tax reimbursement for export goods.

CHAPTER IV

SCOPE OF AFRO-CHINESE ECONOMIC CO-OPERATION

A. Overview

37. The scope of economic co-operation between Africa and China is very wide and has already been given some substantive practical expression in a number of areas in various African countries. In many ways, Afro-Chinese economic co-operation is one of the more vivid examples of South-South co-operation in action. Chinese technical assistance and/or investment is today in evidence in the agricultural, industrial and infrastructural sectors of many AFrican countries. There were many examples that Chinese technology and expertise has assisted the textile, milling, wood processing, pencil and ice-making industries of these countries. For instance in Zambia, Mulungushi Textiles in Kabwe is a joint Zambia-China venture which President Kaunda hailed as a very successful investment. The Chinese also assisted Tanzania to set up the giant Friendship Textile Mill in Dar-es-Salaam and a similar smaller venture in Ethiopia.

38. Other areas include the Grain milling in Zambia, wood processing in Tanzania, ice making in Uganda and pencil manufacture in Ethiopia, all started as major Chinese industrial ventures in these countries. In the area of agricultural development, the Chinese have helped Uganda to develop rice culture at Kibimba and Doko, giving rise to several small-scale coutgrower farmers in Eastern Uganda. Pineappple grwoing has also been initiated in Swaziland with Chinese assistance.

39. Some of the most conspicuous evidence of Chinese socio-economic development in Africa is in the development of infrastructure. The Tanzania-Zambia Railway Project (TAZARA), still stands out as the biggest single project undertaken by the Chinese in Africa and despite various operational problems, the railway line still operates and is attracting financial support from other collaborating countries. Road construction has also been undertaken by the Chinese firm SIETCO as part of a competitive road rehabilitation and reconstruction programme while, in Ethiopia, the Chinese have undertaken water drilling projects and others under consideration include the construction of the Addis-Assab railway line. The Chinese have also build impressive national stadium in Zimbabwe, Tanzania (Zanzibar) and Kenya, with plans at an advanced stage for Uganda and Ethiopia.

40. All the above Chinese-assisted projects have naturally involved a significant inflow of Chinese machinery, equipment and supplies which have had to be paid for either in cash or by the exporation of various agricultural and mineral products. Since some of the machinery and equipment imported are unique, the continued operation of the relevant investments means continued importation of the necessary spare parts from the PRC. Thus, to the extent that these countries cannot stadium spare parts elsewhere other than from China, the Afro-Chinese economic co-operation arrangements are exclusive and 'tied'.

41. It must also be stated in conclusion that there are other parts to the coin of Afro-Chinese economic cooperation of both direct and indirect benefit to the African economies. Arising from all these ventures have among other things, their contribution to employment creation in the respective African countries.

B. Joint ventures

42. Available evidence indicates that in the countries studied certain number of joint ventures with the Chinese have been initiated. The include the Mulungushi Textile Mill and the Milling Company in Chingola in Zambia; the Tanzania-China Wood Products Company and the Tanzania-China Shipping Co., SINOTASHIP, with a fleet of ships under joint ownership and management in Dar-es-Salaam and Beijing for Tanzania, there is a joint fishing venture, Sino-Uganda Fishing Company, to undertake fishing in Lake Victoria and it is expected that some of the fish catch will be exported to China. Negotiations are also in progress in most of the countries studied for more joint-ventures to be established with expertise and finding. In Zambia, President Kaunda specifically called for this strategy when he received a visiting Chinese Government delegation in Lusaka, in December, 1988.

43. The possibilities for Afro-Chinese joint ventures do certainly exist, especially in the development of light industrial and rural-development-oriented small-scale industries. China has acquired strong experience in this area of developing appropriate technology for rural transformation. African countries are largely rural economies both with regard to the location of the bulk of their populations and the orientation of economic activities. Joint investment into agro-industrial projects and those to manufacture appropriate agricultural machinery and tools such as tractors, ploughs, irrigation equipment and commodity transport facilities like hand or ox-drawn carts and bicycles are some of the examples likely to be the local African markets.

44. Joint ventures so far established have been a government-to-government partnership involving the Chinese government supplying technical expertise and equipment while the African partner provided local counterpart personnel, labour and local raw materials. The joint venture companies are typically parastatal i.e. public enterprises. Most of the funds needed to procure Chinese capital investment were made available through the importation of Chinese goods which were then sold locally to off-set some of the local costs associated with the investment.

45. While the operations of these joint ventures progressed relatively smoothly during the initial stages of their establishment, many of the enterprises soon encountered technical and operational problems which led to under-utilization of installed capacity. The major problems pertained to availability and procurement of spareparts and accessories for the Chinese-made machinery and equipment which can only be sourced from China. For many of the required inputs and replacement parts, Chinese supply capacity appeared limited, resulting in frequent delays in delivery schedules and, subsequently, intermittent production runs by the joint ventures. This situation has been faced by Friendship Textile among others. The generally inadequate foreign exchange reserves of each of the countries in question just compounded the problem of procuring required spares.

46. Most of the joint ventures have survived despite these problems. The major lesson arising out of the experience so far, seems to be that it is important to consider the element of flexibility especially with regard to the type of machinery and equipment installed in order to avoid the hazards of getting too tied to a specific supply source. Reasonable compatibility of machinery, equipment and other aspects of the system have to be considered as important criteria in the investment decision. TAZARA railway gauge for instance is not compatible with Tanzania Railways of which it is supposed to complement the service, nor with Zambia Railways.

47. Recent developments in China's economic development strategy are designed to turn the country into an export-oriented economy, fuelled by external investment and imports of raw or semi-processed materials. Since Africa has no excess capital to export, its best bet in consolidating Afro-Chinese economic co-operation appears to lie in the encouragement of joint ventures to process or manufacture goods that China would need for its industrialization process. China also continues to suffer supply problems in a whole range of basic consumer goods, the supply of which could be assured through joint manufacturing with an appropriate African partner.

48. Joint ventures can also be established with China to manufacture for export to other third world markets. So far this strategy appears to be working well with Mauritius with which China has established several joint ventures in the Mauritian Export Processing Zone to manufacture textiles and other goods for European and other markets. Perhaps this line of action could be pursued in the context of the Global System of Trade Preferences among Developing Countries (GSTP). Nonetheless, such joint ventures would be possible were the African country partner to have an ample supply of the relevant raw materials, cheap labour, and supportive economic policies. The first two conditions are relatively easy to comeby, at least, in the five African countries studied. However, all of them require major re-orientation in the area of economic and industrial development policies.

49. In Uganda, for instance, opportunities for joint ventures exist not only in the processing of fish products but also in processing such fruits as pineapples, papayas,'paw paw) bananas, orange, guavas, passion fruit and other horticultural crops for export to China, within the Preferential Trade Area of the Eastern and Southern African States (PTA) and local consumption. There would also be opportunities for joint ventures in paper production, in the textile industry and in glass manufacture. It is particularly noteworthy that a joint Sino-Uganda fishing company that is to carry out fishing in Lake Victoria and the Sino-Uganda co-operation in rice production in Eastern Uganda have been relatively successful.

50. Tanzania has seen a number of opportunities for Sino-Tanzanian joint-venturing, especially as Tanzania undertakes to accelerate its economic restructuring. Some of the likely areas for this co-operative investment include the production of bicycles, chinaware, educational materials and various agro-industrial implements. Tanzania and China have currently undertaken joint investments in textile mills, wood processing, rice production, drug manufacture and shipping. Further investment in each of these on-going industries is possible in order to expand export capacity.

51. Similarly for Zambia which has several opportunities for joint ventures both in existing and new industrial projects, especially in collaboration with the giant Zambia Industrial and Mining Corporation (ZIMCO). So far, Zambia and China have co-operated in textile production and food processing

52. In the two remaining countries (Zimbabwe and Ethiopia), the same is also true there should be good prospects in the former for joint ventures based on Zimbabwe's steel industry. In particular the production of bicycles, hardware products and labour-saving agro-industrial implements. In the later case i.e. Ethiopia, there was no joint ventures at the time of writing though possibilites do exist following preliminary studies then currently being undertaken. Furthermore, the analysis has shown Chinese commitment in Ethiopia's economic programmes and progress.

53. In all five countries studied, negotiations are in progress for more joint ventures to be established with the Chinese and indeed in Zambia, President Kaunda called for this when he met a Chinese government delegation visiting Lusaka early December, 1988. The possibilities for this do exist, especially in the development of light industrial and rural-oriented small-scale industries in which China has acquired strong experience.

CHAPTER V

CONSTRAINTS AND OBSTACLES TO TRADE EXPANSION

A. Overview

54. The volume of Afro-Chinese trade should be higher given the long historical ties between these two regions and because of their socio-economic potentials. China has had stronger political and military ties with much of Africa earlier than say Japan or the USSR for instance. This is inspite of the fact that Africa's trade with Japan is a lot more than it is with China. Some of the reasons have been highlighted in chapter on country profiles. From an African perspective, the main constraints and obstacles to more vigorous trade with China include among others: (a) financial constraints; (b) the lack of or inadequate information on the Chinese supply and demand markets; (c) force of tradition in trading relationships; (d) competition from synthetics and other substitutes at lower prices; (e) weak market structures and production patterns; and (f) tariff and non-tariff barriers.

B. Country Profiles

55. (a) Uganda

55. Until only recently (1988), the main constraint to Uganda's importation of Chinese goods was scarcity of foreign exchange. This in turn was a result of the economic decline that was precipitated during the rule of Idi Amin and few subsequent Governments. The business community had no ready access to foreign exchange. The relied or had to apply for consideration by the governemtn foreign exchange allocation and/or auctioning committees. Thus, despite the favourable price-quality rating that both the business community and the Ugandan consumers gave to Chinese products, there simply was not enough purchasing power to import goods from China. However, the successive government appears to have mitigated this problem somewhat through various monetary measures.

56. Another identified problem not only peculiar to Uganda was the lack of adequate and reliable information on the Chinese market. This problem was highlighted by the Chinese commercial section in Kampala and the representatives of the Uganda business community. Granted, there was some degree of Commerce

and the Chinese Commercial representative through the media of trade magazines and periodic bulletins, it could not be said that the coverage was adequate. To a very large extent such information was wither of a very general nature or not detailed enough to meet the demands of the business community. It is this information gap that partly explains the tendency for Ugandan importers to secure their merchandise from the traditional trading partners - U.K., West Germany, Japan, Kenya, Dubai and Hong Kong. Since information is a critical decision input, its absence makes it difficult for the business community to risk relating with new markets. Uganda has as yet to have commercial representation in Beijing.

57. Competition is another pertinent factor that has been found to influence the level of Sino-Uganda trade. The Chinese would have to be more aggressive and creative in promoting their goods not only in Uganda but throughout all the African markets. The same is true of Ugandan exporters. They must study the Chinese markets in order to appreciate why their products are not preferred in comparison to those of other suppliers. Uganda's exports to China virtually ceased in the late 1970s due to the disruption of the country's economy resulting from the persistent socio-political turmoil Uganda experienced at the time. Production and marketing systems broke down, making it difficult to sustain international trade. It is therefore imperative to rehabilitate many of these structures.

(b) Tanzania

58. Tanzania suffered severe economic depression during a decade and half resulting in acute foreign exchange problems and subsequent inability to import, not only from China, but also from other foreign markets. Another major constraint has been the unreliable supply capacity of Tanzania's agricultural and industrial sectors arising out of production constraints - poor agricultural commodity yields due to insufficient investment in agriculture and industrial capacity under-utilisation occasioned by frequent machinery break-downs due to obsolete plant and equipment in much of the country's manufacturing sector.

59. The country's marketing information was also not so reliable so that the business community were unable to take advantage of opportunities, although there have been a few Tanzanian trade delegations visiting China at the material time. As in the case of Uganda, Tanzania does not have commercial representation in Beijing.

(c) Zimbabwe

60. The main constraints on the Zimbabwean side despite the fact that the country has had a surplus balance of payments position with China due to its exports of tobacco to the later include the: (a) shortage of foreign exchange. In particular since the last few years have been marked by increasingly austere foreign exchange management policies by the government, resulting in diminished propensity to imprt; (b) inadequacy of trade information at the business community level. Zimbabwe does not have a commercial attache at its embassy in Beijing;

(c) traditional trading relationships which continued to exert strong influence on the country's attempt to diversify to other non-traditional sources; (d) some of the government trade policies that made it difficult, especially for the business community to import and/or export. There are still a lot of bureaucratic measures limiting the potential for trade with other countries.

(d) Zambia

61. Problems in Zambia are also founded on an acute foreign exchange shortage, resulting from the deteriorating economic position experienced over the last five years of so as the country's export earnings from copper trumbled. This has weakened the nation's ability to import both from China and other countries. Although China has had a commercial attaché in Lusaka soon after Zambia's independence, Zambia still does not have similar representation in Beijing. Apart from occasional trade delegations to China therefore, the Zambian business community still suffers from lack of adequate and reliable ifnroamtion on supply and demand conditions in China.

62. Another constraint in Zambia-Chinese trade relations is compounded by traditional ties, competition and weak production and marketing systems. Together they do constitute serious constraints in holding back Sino-Zambian trade from expanding.

(e) Ethiopia

63. Ethiopia's position is likewise characterised by acute foreign exchange problems arising out of a weak and depressed economy. The information base too is rather superficial. However the strongest ties between them still remain at government-to-government level.

(f) China

64. Turning to China specifically in the light of the above, the centralized nature of management of its foreign trade has tended to discourage prospective African traders in each of the countries studied. Many business people still consider China to be shrouded in mystery and impenetrable bureaucracy. Perhaps, the recent liberalisation efforts undertaken by China will help to demystify their market. In particular since overcentralization of decision-making in Beijing denied Chinese export and import firms the flexibility necessary to prosecute foreign trade effectively and efficiently. Most trade deals with AFrica have thus tended to be initiated and/or sanctioned by the central government authorities in accordance with bilateral protocols.

65. Perhaps it should also be pointed out that China too faces foreign exchange constraints that limit its capacity to purchase as much African exports as it might desire. This is one mutual problem which has provided the motivation for evolving barter or counter-trade arrangments. In addition, China also continues to suffer production and supply capacity problems in some areas and is therefore unable to deliver orders on time.

66. In summary, therefore, Afro-Chinese trade has mainly been constrained mutually by an acute foreign exchange problem coupled with a general lack of trade information system, especially from the point of view of the African business community. This is one area that would require urgent action even if Afro-Chinese trade were to be conducted on the basis of barter transactions.

CHAPTER VI

PROSPECTS FOR TRADE EXPANSION

A. Overview

67. On the basis of the foregoing brief analysis, it is fair to state that the general prospects for expanding trade between Africa and China are reasonably good. There are several favourable factors as pointed out in support of this view point. Some of the most important ones include the following:

(a) Chinese products are generally considered to be of good quality by both the African business people and the target consumers;

(b) Chinese products are relatively cheap compared to similar products made elsewhere;

(c) Chinese products are considered to be technologically appropriate especially to the rural sector of Africa;

(d) The Chinese appear to be willing to discuss counter trade as an alternative means of resolving foreign currency problems in international trade settlements;

(e) There is political goodwill between many African countries and China; and

(f) Both Africa and China have vast potentials of natural-based resources which could form the basis for stronger trade ties.

68. On the other hand, however, Afro-Chinese trade prospects are dimmed by the nature of the products that African has to offer to China. Africa's best candidates for export items are the traditional agro-products, coffee, tea, cotton, tobacco, animal and vegetable oils, as well as certain minerals. However, over the years, China has developed a domestic capacity to provide for itself, many of the imports it used to obtain from Africa. This means less and less opportunities for Africa to export to China unprocessed commodities.

69. Therefore in order to expand Afro-Chinese trade, requires of African countries to either add value to its traditional exports through processing and/or manufacture, or identify new products for export development. Value-added processing calls for investment in plant and equipment but this can only be do by countries with vast investment funds that might not be available in most African countries given the overall economic condition of most of them. Moreover, processed or manufactured products often attract tariff and non-tariff barriers that are likely to make them uncompetitive or totally unwelcome in the export markets of China unless proper and cost-effective marketing and distribution channels can be developed. One possible measure for dealing with this predicament might be the establishment of joint manufacturing enterprises to produce for export not only to China but to other markets. This line of action has already been initiated by China in its relations with Mauritius. The strategy opens up greater opportunities for African export products while at the same time helping to diffuse technology in the African continent.

70. The systematic development of joint production enterprises that could lead to trade expansion must, however, be preceded by the generation and exchange of information between Africa and China. A reliable supply and demand study must be articulated to provide the basis for long term strategy formulation. Such a data base would identify both the product candidates for new export development and feasible areas for joint ventures. A number of the countries studied are at one stage or other in the process of discussing both new product possibilities for export to China and joint production activities. It might be necessary, however, for a macro-position to be facilitated, for instance, by the UN Economic Commission for Africa aimed at developing better awareness of mutual opportunities and constraints in the development and expansion of Afro-Chinese trade, especially during the next decade.

71. The viability and value of counter-trade arrangements in particular, need to be pursued further with a view to maximizing the benefits the mechanism is likely to offer. This is important because Africa's balance of payments position and foreign currency reserves are not likely to improve significantly over the next decade. The continuing increased debt burden, deteriorating terms of trade and the increasing crisis of demand expectations in each country are likely to make recovery a slow process.

Country Projections

72. It is in the light of the foregoing that we follows attempts a brief analysis of each country's prospects and projections in this area.

(a) Uganda

73. Uganda's main exports to China have remained to be coffee and cotton. Up to the early seventies, Uganda was able to run a surplus balance of payments account with China. However, since 1977/78 Uganda's exports of these two commodities ceased due to the severe disruption of the economy as the country suffered one socio-political turbulence after another. Nonetheless, the return to normality has enhanced prospects for [illegible]

are favourably regarded in Uganda and as the foreign exchange position of the country improves, so should the opportunities for trade. According to the Ugandan Ministry of Commerce, in exchange for sundry Chinese-made consumer products, Uganda proposes to develop and export to China the following primary agricultural commodities: coffee; cotton; tea; hides and skins; semi-processed leather; beans, peas, lentils and other legumes; chillies; tobacco; groundnuts; castor seed; simsim; sun-flower; tropical fruits; maize; cassava and cassava flour; and fish.

74. It is Uganda's intention to step up barter transactions in these commodities, especially the numerous non-traditional ones whose potential in contributing to the country's foreign exhange earning capacity has yet to be fully realized. The main agency designated to ensure the operation of the barter system is the Produce marketing Board (PMB) which since 1986 has conducted barter deals with at least 10 countries including China. As stated earlier, there should be opportunities for joint Uganda-Chinese ventures to establish industries for food processing for export to China and other markets. The supply potential is great and foreign markets can be developed. This value-added approach should help broaden Uganda's current narrow export base.

(b) Tanzania

75. The pattern of trade between Tanzania and China during the 1960s and 1970s was such that the former used to export cashewnuts, coffee, wattle products, cotton, timber and some sisal to China in return for imports of industrial spare parts and sundry consumer products. Thereafter, the deteriorating economic situation in Tanzania resulted in less and less imports because exports did not earn enough to keep that trend. Lately, the Tanzanian economy has started to recover due to the economic reforms initiated by the government. If this trend were to continue then it can also open up opportunities for expanding Sino-Tanzanian trade, especially Tanzanian exports of cashewnuts, sisal and high grade cotton. In this regard, both countries could revent to the instrument of their already signed barter protocol as a basis for enhanced trade once Tanzania's supply capacity is sufficiently developed. There is scope for joint investment in industries to manufacture appropriate light industrial and rural development-oriented products both for the local Tanzanian market and for export.

(c) Zimbabwe

76. Prospects for expanding Sino-Zimbabwean trade revolve around the Countertrade Agreement signed by the two countries in 1987. Under this agreement (reviewed annually), Zimbabwe supplies China with tobacco and uses 40% of the tobacco proceeds to purchase sundry imports from China. The main explanation for the institution of a counter-trade protocol is the scarcity of foreign exchange facing both Zimbabe and China. The basket of Zimbabwean exports could be increased with the inclusion of certain mineral products. The big balance of payments surplus in favour of Zimbabwe (US$49.0 million in 1986 and US$17.6 million in 1987) provides a stimulus for further imports of Chinese products by Zimbabwe. This should be possible as Zimbabwe's economic and trade policies are relaxed and its improved foreign exchange position is made to allow the business community to secure imports more freely.

(d) Zambia

77. Sino-Zambia trade prospects are good, particularly with the country's in the near future. Chinese products are quite popular in Zambia where they are regarded as good value for the price paid. Zambian exports to China includes apart from traditional electrolytic wire bars and copper cathodes. These minerals can be supplemented by horticultural crops for which Zambia has a significant development potential.

(e) Ethiopia

78. Sino-Ethiopian trade expansion will depend on improvement in Ethiopia's economic position. Like many countries in Africa, Ethiopia is faced with an acute shortage of foreign currency resulting from the adverse effects of natural disasters and civil strife that have bedevilled the country for over a decade. However, Ethiopia and China signed a Trade Agreement dating back many years even though the volume of trade between these two countries has been steadily declining. Ethiopia's main prospective exports to China would be coffee and such raw materials as gum albanum that is used in the manufacture of medicines.

(f) China

79. Overall, therefore and while each African country covered in the study has some commodity with good prospects for export to China, a more thorough study would be vital to determine both supply and demand potentials in China, given the latent ability of the latter to develop self-sufficiency in the production of the very commodities in which its African trading partners indicate the ability to supply China. The information gap that is very evident in this regard for all of the countries studied has to be bridged.

80. Turning the spotlight more pointedly on China itself, the recent economic reforms designed to accelerate the country's economic growth and development process would require more and more inputs both of raw materials and processed/manufactured industrial goods. In so far as Africa can provide some of these inputs cost-effectively, China would be interested in developing stronger trading links with the African continent.

81. Perhaps on the basis of gained experiences of joint ventures, especially that in Mauritius, China should be able to go into partnership, with other African countries to process or manufacture industrial output for export both to China and other markets. One is strengthen in this belief in the hope that by establishing the China National Africa Export and Import Corporation in 1987, specifically to promote Sino-African trade, this suggestion course of action should be on mere formality. In other words, such action would be a practical way of making concrete the letter and sprit matter of fact this agency hasvisited several African countries and should be able to identify opportunities for joint ventures capable producing and marketing such products to the mutual advantages of both parties.

CHAPTER VII

SUMMARY AND ADDITIONAL SUGGESTED ACTION

82. What follows is broken down into two categories and basis itself on the understanding that it will be read in conjuction with what is given above.' First and foremost, Africa and China have evolved political ties which provide a strong foundation for developing and expanding trade between them. Secondly both regions are endowed with large human and natural resources that have got to be effectively and efficiently harnessed for the optimal benefit of their people. Thirdly, both must attempt to profit from the new emerging trend of mutuality of interest and benefits of strong economic groupings.

83. It is evident as every one must have realized that African countries must recognise the very urgent need to redefine their approach to the management of their crisis-ridden economies. Traditional attitudes, values and beliefs as well as institutional mechanisms largely refined by non-Africans will not allow Africa to realize the aspirations embodied either in their individual national development plans or in the Lagos Plan of Action. In promoting trade with China, Africa has the opportunity to innovate creatively and these schedules can be a basis for the envisaged forward positive move in this area.

SCHEDULE I

MAIN AFRICAN IMPORTS OF CHINESE PRODUCTS	MAIN AFRICAN EXPORT ITEMS TO CHINA
Machines/Mechanical	Tobacco (raw)
Appliances	Tobacco (partly processed)
Textiles and Textile yarn	Asbestos
Non-textile yarn	Tea
Acids/Chemicals	Coffee
Sulphate	Cashewnuts
Insecticides	Cotton
Aircraft parts	Wire/rod steel
Hardware & tools	Bars & Rods
Consumer goods	Copper
Medicines	Copper cathodes
Soaps & detergents	Timber
Construction equipment	Wattle products
	Crude Vegetable Oils
	Animal Oil

83. To-date, Africa accounts for less than 5% of China's overall world trade despite the long-standing political expressions calling for the enhancement of trading ties. The same scenario is true of China's trade with Africa. In order to rectify this anomaly and, ensure effective exploitation of the potential for Afro-Chinese trade, African governments should consider the following recommendations.

A. Policy measures

(a) African countries should adopt a definite policy position aimed at encouraging the promotion of bilateral trade with China. This policy position should be widely popularized among key interested parties such as farmers, the commercial and industrial business community and government officials. Hitherto, although a number of African countries have signed trade agreements with China, there is no well-articulated policy to focus public and private sector interest in developing two-way trade with China;

(b) African countries with diplomatic representation in China should ensure that they have viable and effective commercial representation in China charged with the primary responsibility for identifying and popularizing economic/trade opportunities including areas for joint ventures between China and their respective countries;

(c) African countries should identify sectors such as agriculture, agro-industry and rural-development-oriented industrial investment to popularize for joint national investment with China. These should be areas in which China has acquired experience and whose exploitation would enhance the value-added process of transforming Africa's traditional export commodities;

(d) African governments and the business community should recognise that doing business with China is like doing business with any other commercially-oriented trading partner - it requires adequate mental and managerial preparation and a knowledge of how the Chinese business culture works. The Chinese importer/exporter is no more benevolent than any of their counterparts in other parts of the world;

(e) African governments should actively involve their business community (public and private) in the main stages leading to the identification and exploitation of business opportunities with China. In other words, there should be an accelerated shift from government-to-government deals in favour of commercial transactions negotiated by the respective business houses in China and the African country. Afro-Chinese trade must be seen and practiced as normal, unmystified trade.

B. Institutional Mechanisms

(a) There is an urgent need for the establishment of a more effective an comprehensive Afro-Chinese trade information service to especially sensitise the African business community to the opportunities, problems, and practices in Afro-Chinese trade and other areas of economic co-operation. Perhaps such bodies as the United Nations Economic Commission for Africa (ECA), in collaboration with the United Nations Economic Commission for Asia and Pacific (ESCAP), the International Trade Centre (ITC/UNCTAD/GATT), the Preferential Trade Area for Eastern and Southern Africa (PTA) and the Economic Community of West African States (ECOWAS) could take the lead in regional initiatives to bridge the trade information gap and to demystify the Chinese market for African exports and imports;

(b) More effective use should be made of the joint commissions/committees established by several African countries with China to implement the provisions of bilateral Trade Agreements with China. To this end, there should be more effective representation of the agricultural, commercial and industrial business community on these joint commissions/committees and less of government civil servants;

(c) ECA, PTA and ITC in collaboration with appropriate Chinese authorities should consider organising an Afro-Chinese Expo-Trade Fair current with a trade symposium either in Africa or China to provide the opportunity for a comprehensive exposure of the export-import potential existing in Africa and China;

(d) In order to mitigate the adverse effects of the pervasive foreign exchange problems, African countries should promote the use of barter or counter-trade arrangements especially involving the development and export of non-traditional agricultural products. To minimize the inherent problems that barter trade entails, each country should establish a Barter Trade Commission to manage the implementation of such an arrangement;

(e) Since neither the Chinese Yuan nor any of the currencies of the African trading partners are freely convertible inteternationally, steps should be taken to establish the feasibility of African countries maintaining reciprocal bank accounts in local currency with China as a payments and clearing system for selected items of trade. For instance, China would procure needed

imports from African country A using country A's currency and country A would in turn procure needed Chinese imports using the Yuan. Encouragement ought to be given to the establishment of a Clearance System by the respective Central Bank authorities.

EXTERNAL TRADE OF CHINA, PEOPLE'S REPUBLIC

EXPORTS

(MILLIONS OF US$)

		1980	1981	1982	1983	1984	1985	1986
IFS World Total		18,099	21,465	21,872	22,177	24,831	27,327	30,076
DOTS World Total	001	18,139	21,476	21,465	22,096	24,824	27,329	31,366
Industrial Countries	110	8,170	9,439	9,371	9,322	10,407	11,406	12,235
United States	111	983	1,505	1,765	1,713	2,313	2,336	2,633
Canada	156	137	182	172	208	258	233	307
Australia	193	224	174	224	181	218	183	209
Japan	158	4,032	4,747	4,806	4,517	5,155	6,091	4,742
New Zealand	196	40	29	32	25	41	42	26
Austria	122	15	80	9	14	18	17	16
Belgium-Luxembourg	126	97	118	143	137	135	164	212
Denmark	128	41	38	37	41	53	73	91
Finland	172	27	26	30	27	30	23	33
France	132	341	285	281	231	231	228	321
Germany	134	711	835	773	859	764	746	1,011
Iceland	176	1	1	1	1	1	1	1
Ireland	178	5	7	6	7	6	7	10
Italy	136	351	258	236	232	303	294	363
Netherlands	138	197	459	294	326	317	327	463
Norway	142	15	19	21	18	18	20	29
Spain	184	50	73	64	50	75	63	75
Sweden	144	86	75	62	54	60	61	75
Switzerland	146	205	118	108	81	104	151	181
United Kingdom	112	564	413	308	601	329	358	1,437
Developing Countries	200	8,980	11,335	11,783	11,893	13,281	14,143	17,017
Africa	605	482	677	760	525	543	421	574
Algeria	612	-	88	175	100	85	51	38
Angola	614	-	9	1	1	4	4	3
Benin	638	-	26	25	13	14	9	12
Botswana	616	-	-	-	-	-	8	-
Burkina Faso	748	-	3	5	5	1	1	3
Burundi	618	-	5	6	3	3	3	3

Exports Continued.....

		1980	1981	1982	1983	1984	1985	1986
Cameroon	622	-	26	127	9	10	7	8
Cape Verde	624	-	1	1	2	-	-	-
Central African Rep.	626	-	-	-	1	-	1	1
Chad	628	-	1	-	-	-	1	1
Comoros	632	-	-	-	3	1	-	-
Congo	634	-	7	12	13	11	6	4
Cote d'Ivoire	662	-	42	14	12	52	18	15
Djibouti	611	-	3	6	7	4	4	5
Equatorial Guinea	642	-	2	-	-	3	1	-
Ethiopia	644	-	4	4	4	4	11	4
Gabon	646	-	7	3	2	3	9	2
Gambia, The	648	-	16	14	12	8	111	8
Ghana	652	-	4	1	2	3	9	3
Guinea	656	-	15	2	4	1	1	4
Guinea-Bissau	654	-	-	1	2	1	1	1
Kenya	664	-	15	13	9	13	14	17
Liberia	668	-	22	13	18	19	13	16
Madagascar	674	-	11	10	4	12	4	2
Mali	678	-	8	7	4	5	9	8
Mauritania	682	-	22	23	20	10	12	7
Mauritius	684	-	12	15	15	14	10	10
Morocco	686	-	41	50	33	46	44	51
Mozambique	688	3	12	5	2	8	6	6
Namibia	728	-	-	1	1	-	-	-
Niger	692	-	4	6	4	4	7	7
Nigeria	694	52	68	39	17	13	4	6
Reunion	696	-	3	2	3	3	3	2
Rwanda	714	-	15	10	14	15	8	7
Senegal	722	-	21	32	20	25	16	14
Seychelles	718	-	1	1	1	1	1	1
Sierra Leone	724	-	12	4	4	3	4	2
Somalia	726	-	15	19	9	10	6	5

Exports Continued.....

		1980	1981	1982	1983	1984	1985	1986
Sudan	732	35	64	46	30	27	19	22
Tanzania	738	9	10	13	13	17	14	11
Togo	742	-	22	18	15	15	9	11
Tunisia	744	-	26	22	22	23	28	29
Uganda	746	-	1	1	1	3	2	3
Zaire	636	-	10	9	30	34	24	205
Zambia	754	16	5	3	1	1	2	1
Zimbabwe	698	-	-	-	-	2	4	5
Africa not Specified	789	366	3	-	1	12	6	9

Source: International Monetary Fund,
Direction of Trade Statistics Yearbook 1987

EXTERNAL TRADE OF CHINA, PEOPLE'S REPUBLIC

IMPORTS

(MILLIONS OF US$)

		1980	1981	1982	1983	1984	1985	1986
IFS World Total		19,941	21,635	18,900	21,336	25,950	42,526	43,411
DOTS World Total	100	19,505	21,631	18,920	21,313	25,953	42,534	43,503
Industrial Countries	110	14,356	16,088	13,029	14,506	17,912	29,820	28,852
United States	111	3,830	4,682	4,305	2,753	3,837	5,199	4,718
Canada	156	817	1,171	1,239	1,587	1,062	1,150	1,012
Australia	193	1,063	559	514	613	897	1,124	1,403
Japan	158	5,169	6,183	3,902	5,495	8,057	15,178	12,463
New Zealand	196	157	174	129	146	142	161	188
Austria	122	91	232	48	66	141	160	302
Belgium-Luxembourg	126	93	134	163	236	246	313	364
Denmark	128	52	54	45	150	90	107	149
Finland	172	69	79	42	55	95	126	114
France	132	315	395	231	639	357	718	742
Germany	134	1,333	1,337	967	1,209	1,259	2,447	3,627
Iceland	176	-	-	2	-	-	-	-
Ireland	178	-	5	5	8	9	7	8
Italy	136	249	344	320	303	433	903	1,141
Netherlands	138	157	120	87	110	166	274	281
Norway	142	28	25	40	48	82	113	100
Spain	184	70	74	91	157	201	546	389
Sweden	144	99	104	72	144	157	263	300
Switzerland	146	235	181	169	228	174	277	536
United Kingdom	112	540	234	260	560	508	754	1,017
Developing Countries	200	4,029	4,262	4,331	5,250	6,416	10,746	11,775
Africa	605	285	227	261	311	310	285	251
Algeria	612	-	-	4	1	9	11	2
Angola	614	-	-	-	-	-	-	-
Benin	638	-	-	-	-	-	-	-
Botswana	616	-	-	-	-	-	-	-
Burkina Faso	748	-	-	-	1	6	-	-

Imports Continued		1980	1981	1982	1983	1984	1985	1986
Burundi	618	-	-	-	-	-	-	-
Cameroon	622	-	2	4	-	-	-	-
Cape Verde	624	-	-	-	-	-	-	-
Central African Rep.	626	-	-	1	1	1	-	-
Chad	628	-	1	1	-	-	-	-
Comoros	632	-	-	-	-	-	-	-
Congo	634	-	-	2	-	2	-	-
Cote d'Ivoire	662	-	3	6	6	7	2	22
Djibouti	611	-	-	-	-	-	-	-
Equatorial Guinea	642	-	-	2	-	3	-	-
Ethiopia	644	-	-	1	1	2	-	1
Gabon	646	-	-	-	-	11	19	11
Gambia, The	648	-	-	-	-	-	-	-
Ghana	652	-	3	22	3	6	1	37
Guinea	656	-	-	-	-	-	-	-
Guinea-Bissau		-	-	1	3	2	2	-
Kenya		-	3	1	4	6	6	8
Liberia		-	-	-	2	5	-	-
Madagascar		-	-	10	7	3	-	2
Mali		-	9	4	5	-	-	-
Mauritania		-	-	-	-	-	-	-
Mauritius		-	-	-	-	-	-	-
Morocco		-	26	32	42	36	16	15
Mozambique		-	-	1	-	-	4	2
Namibia		-	-	2	-	-	-	-
Niger		-	-	-	-	-	-	-
Nigeria		5	2	4	8	4	3	-
Reunion		-	-	3	6	-	-	-
Rwanda		-	-	-	-	-	-	-
Senegal		-	3	2	2	2	1	1
Sierra Leone		-	-	2	-	1	-	-
Somalia		-	2	3	5	7	5	5
Sudan		61	28	39	50	39	1	2

Import continued.....

	1980	1981	1982	1983	1984	1985	1986
Tanzania	10	3	21	-	1	8	-
Togo	-	-	-	1	2	1	2
Tunisia	-	26	24	19	14	25	52
Uganda	-	-	-	-	-	-	-
Zaire	-	34	22	68	63	46	21
Zambia	90	23	44	71	45	98	10
Zimbabwe	-	56	3	5	35	31	54
Africa not specified	120	3	2	1	1	4	2

Source: International Monetary Fund. Direction of Trade Statistics, Yearbook, 1987

TABLE III: CHINESE TRADE WITH SELECTED AFRICAN COUNTRIES, 1980-1987
(CONVERTED TO US$ MILLION)

	TANZANIA			UGANDA			ZAMBIA			ZIMBABWE			ETHIOPIA		
	EXPORTS	IMPORTS	TRADE BALANCE	EXPORTS	IMPORTS	TRADE BALANCE	EXPORTS	IMPORTS	TRADE BALANCE	EXPORTS	IMPORTS	TRADE BALANCE	EXPORTS	IMPORTS	TRADE BALANCE
1980	10.0	9.0	1.0	-	-	-	90.0	16.0	74.0	-	-	-	-	-	-
1981	3.0	10.0	-7.0	-	1.09	-1.09	23.0	5.0	18.0	56.0	-	56.0	-	4.0	-4.0
1982	21.0	13.0	8.0	.10	1.37	-1.27	44.0	3.0	41.0	3.0	-	3.0	1.0	4.0	-3.0
1983	-	13.0	-13.0	.06	1.43	-1.34	71.0	1.0	70.0	5.0	1.1	3.3	1.0	4.0	-3.0
1984	1.0	17.0	-16.0	-	3.19	-3.19	45.0	1.0	44.0	35.0	2.0	33.0	2.0	4.0	-2.0
1985	8.0	14.0	- 6.0	-	2.65	-2.65	98.0	2.0	96.0	31.0	4.0	27.0	-	11.0	-11.0
1986	0.9	11.0	-11.0	-	3.25	-3.25	10.0	1.0	9.0	54.0	5.0	49.0	1.0	4.0	- 3.0
1987	1.7	17.0	-15.3	-	12.58	-12.58	1.0	0.69	0.31	21.0	3.4	17.6	-	-	-

Source: Central Statistics Office: Zambia, Tanzania and Uganda
Ministry of Trade & Commerce, Zimbabwe
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